



CITY GAS COMPANY OF FLORIDA

An **NU** Company

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Miami Division  
955 East 25th Street  
Hialeah  
Florida 33013-3498  
Tel: (305) 691-8710  
Fax: (305) 691-7112

December 9, 1996

Ms. Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

Re: **Docket No. 960725-GU**  
**Unbundling of Natural Gas Services**

Enclosed for filing in the above docket are an original and 15 copies of our Certificate of Service of City Gas Company of Florida's ~~Answers to Staff's~~ Responses to ~~Second Set of Interrogatories.~~ 2nd Unbundling Workshop, Per Mike

Sincerely,

*Michael A. Palecki*

Michael A. Palecki  
Vice President of Regulatory Affairs

*Palecki*  
*Fur*

- ACK \_\_\_\_\_ MAP/rt
- AFA \_\_\_\_\_
- APP \_\_\_\_\_ Encl.
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FPSC-RECORDS/REPORTING

**CITY GAS COMPANY OF FLORIDA  
RESPONSES FOR SECOND WORKSHOP  
UNBUNDLING NATURAL GAS SERVICE  
DOCKET NO. 960725-GU**

**BALANCING:**

**Q16. Should the LDC be required to file balancing tariffs that establish a period when transportation customers can balance deliveries into and out of the utility's system?**

**A.** LDCs should be permitted to establish tariffs tailored to the individual LDC operating requirements. . LDCs must be able to maintain operational reliability of their systems and, in order to do so, may require a variety of tools. For example, there may be times when daily balancing is necessary (e.g., during a hurricane when gas supplies are interrupted) or an LDC may have a program in which any imbalance is carried forward to a subsequent month, although generally, most customers will likely be balanced monthly.

**Q17. Should the LDC be allowed to issue Operational Flow Orders and impose special volume conditions and/or balancing provisions in case of system emergencies and capacity constraints?**

**A.** Yes, as noted in the balancing section, the Company must be able to maintain the operational integrity of its system. By issuing an Operational Flow Order with appropriate penalties for non-performance, the Company can assure the reliability of its service.

**Q18. Should the LDC be allowed to impose penalties when a customer fails to balance deliveries and withdrawals within an established time frame?**

**A.** Yes. Absent such penalties there would be no incentive for transportation customers to balance their accounts. Otherwise, the customer will be relying on the Company's supply portfolio, to the detriment and expense of the Company's sales customers.

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FPSC-RECORDS/REPORTING

**Q19. Should the LDC be required to institute a tolerance range for purposes of setting the threshold before an Operational Flow Order is issued?**

**A.** No. An Operational Flow Order should be issued when a situation arises that requires the Company to take action. It would be impossible to set a balance range that would cover all situations.

**Q20. Should balancing obligations, costs and penalties be based on a “no harm/no foul” principle?**

**A.** Balancing provisions should serve at least two purposes, they should: 1) provide a measure of discipline so that customers will manage their supply of gas; and 2) assure that the remaining sales customers are not burdened with any additional costs. To the extent that the Company can establish tariffs which address each of these points, and desires to incorporate a “no harm/no foul” principle, it should be allowed to do so. “No harm/no foul” provisions, to the extent they reduce administration, may benefit both the Company and the customer. However, they should not be required, and if the provisions cause additional cost, they should be avoided.

**Q21. Should the LDC be allowed to impose metering requirements on the transportation customers to ensure the LDC remains in balance with the pipeline?**

**A.** Yes. LDCs should be allowed, but not required to do so. NUI’s experience has been that automatic meter reading devices should be required for large customers whose behavior can have an operational impact on its system. For smaller customers, NUI has found that AMRs are not necessary. There are other effective ways to manage the system and balance customer accounts.

**Q22. Should the LDC be allowed to vary the metering requirements between classes?**

**A.** Yes. NUI has found that for smaller customers, automatic meter reading devices are not necessary. For small customers, AMRs

impose an additional cost on the customers and can act as an impediment to conversion of unbundled service.

**Q23. Should the LDC be required to institute:**  
**hourly flow limitations**  
**mid-day nominations**  
**no-notice service**  
**monthly cash out provisions**  
**transportation nomination rules**  
**delivery point allocation rules**

**A.** The LDC should not be required, but should be allowed, to institute such provisions to effectively manage the operation of its system. .

**Q24. Should the LDCs be permitted to establish non-performance penalties to be levied on suppliers, marketers, or brokers who create imbalance situations for the LDC?**

**A.** Yes. Penalties promote discipline. Marketer, broker, or supplier penalties are as much customer protection as Company protection. Customers should know that their supplier is subject to penalty if they don't perform. Unreliable suppliers should be eliminated if they are not able to perform.

**Q25. Should each LDC have the discretion to establish nomination and balancing procedures? If so, should third party suppliers be required to abide by these procedures?**

**A.** Yes. Each LDC should have the ability to establish reasonable nomination and balancing procedures. Again, these measures are necessary to ensure that the LDC can manage its system for the benefit of all of its customers and that sales customers are not shouldering cost attributable to the unbundled customer group. Since more often than not, a third party will be delivering gas to the LDC on behalf of a customer, it is essential that the third party be required to abide by these procedures. This may be accomplished by requiring the third party to enter into an agreement with the LDC that requires,

among other things, compliance with the nominating, balancing, and other operational terms of the LDC's tariff.

**Q26. Should shippers erring on the side of caution and being out of tolerance in the "right" direction and that "help" the LDCs system during operational controls be rewarded?**

**A.** Generally, no. Balancing provisions should be applied on an absolute basis. The objective of a shipper should be to be in balance, however, in the case of daily balancing on an Operational Flow Order, the overdelivery penalty may not have to be as severe as an underdelivery penalty. Shippers should not be rewarded for "missing the mark" nor should shippers be attempting to "second guess" the LDC's needs.

#### **MARKETERS AND AFFILIATED MARKETERS**

**Q33. Should the LDC's be allowed to charge the marketers penalties for any daily over or under deliveries? (Staff)**

**A.** Yes. However, the Company should only assess daily penalties when either daily balancing or an Operational Flow Order are in effect.

**Q34. Should the LDC be required to develop eligibility policies/standards to evaluate potential marketers? (Staff)**

**A.** Yes. By clearly establishing eligibility policies/standards, customers can have confidence that third party suppliers have demonstrated a certain level of financial and operational capability.

**Q35. Should the Commission initiate rulemaking to establish guidelines for utilities with marketing affiliates? (Staff)**

**A.** No. The existing statutory and regulatory framework provide sufficient mechanisms for the review of an LDC's relationship and activities with

any third party, including a marketing affiliate. However, to the extent that the Commission sees it necessary to institute guidelines for utilities with marketing affiliates, the Commission can look to states such as New Jersey, that have in place such guidelines.

**Q36. Should the LDC's be able to establish creditworthiness standards to ensure the financial capability of suppliers, marketers, and brokers? (City Gas)**

**A.** Yes, the LDC should be able to establish creditworthiness standards as part of the eligibility policies/standards discussed in Issue No. 34.

### **STRANDED INVESTMENT**

**Q37. Should the LDC be allowed to require transportation customers to take capacity held by the LDC? (Staff)**

**A.** Yes. However, each LDC should be given flexibility to design a mechanism to address capacity costs. There are several different approaches, including capacity assignment and exit fees, to dealing with these types of costs.

**Q38. Should the LDC be allowed to require marketers to pay the maximum rate for capacity purchased from an LDC? (Staff)**

**A.** Yes. However, determining what capacity should be released will be an issue. A more equitable method would be to develop a WACOT (Weighted Average Cost Of Transportation), provided that such an approach was in compliance with any relevant FERC requirements.

**Q39. Should the LDC be allowed to require an exit fee payment when a customer chooses to use third party capacity? (Staff)**

**A.** This issue is similar to Issue No. 37. Each LDC should have the flexibility to design their own mechanism to recover capacity costs. If there is a capacity assignment at the maximum rate, exit fees may not be necessary.

**Q40. Should the LDC be required to make permanent relinquishments of unused capacity at max rates to lessen stranded capacity costs? (Staff)**

**A.** The Company needs further clarification on what is meant by unused capacity. The Company is reluctant to agree that a permanent release should be made, unless a customer is an existing sales customer on the Company's system. Further, the Company does not believe it has any un-needed capacity. Over the long term the Company feels its portfolio is designed to meet the needs of its current customers and future market growth

**Q41. Should the LDC be allowed to institute a temporary Capacity Realignment Adjustment to recoup the LDC's stranded capacity costs? (Staff)**

**A.** This issue should be combined with Issue No. 37 and Issue No. 39. The Company should have flexibility to design a mechanism to recover capacity costs. Capacity assignment may not be necessary if the costs are recovered through an exit fee.

**Q42. Should the LDC's require interruptible customers to pick up released firm FGT capacity from the native LDC as a prerequisite to transportation service? (CNB Olympic)**

**A.** No. However, to the extent that they obtain capacity from a source other than the native LDC, there will be increased costs to the remaining sales customers either through the PGA, or perhaps another surcharge mechanism.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Unbundling of Natural Gas )  
Services )

Docket No. 960725-GU  
Filed: December 9, 1996

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of City Gas Company of Florida's Answers to Staff's Second Set of Interrogatories was furnished by U.S.

Mail to the following individuals, on the 9<sup>TH</sup> day of December, 1996:

Mary E. Culpepper, Esq.  
Division of Legal Services  
Florida Public Service Commission  
Gunter Bldg., Room 370  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

Marsha E. Rule, Esq.  
Wiggins & Villacorta, P.A.  
P. O. Drawer 1657  
Tallahassee, FL 32302

Mr. Stuart L. Shoaf  
St. Joe Natural Gas Company, Inc.  
P. O. Box 549  
Port St. Joe, FL 32457-0549

David Rogers, Esq.  
P. O. Box 11026  
Tallahassee, FL 32302

Sebring Gas System, Inc.  
3515 Highway 27 South  
Sebring, FL 33870-5452

Norman H. Norton, Jr.,  
Messer, Caparello, Madsen  
P. O. Box 1876  
Tallahassee, FL 32302-1876

Ms. Collette M. Powers  
Indiantown Gas Company  
P. O. Box 8  
Indiantown, FL 34956-0008

Barrett G. Johnson, Esq.  
Johnson and Associates, P.A.  
P. O. Box 1308  
Tallahassee, FL 32302

Ansley Watson, Jr., Esq.  
Macfarlane, Ferguson & McMullen  
P. O. Box 1531  
Tampa, FL 33601-1531

Vicki Gordon Kaufman, Esq.  
McWhirter, Reeves, McGlothlin  
P. O. Box 3350  
Tampa, FL 33601-3350



John W. McWhirter, Jr., Esq.  
McWhirter, Reeves, McGlothlin  
P. O. Box 3350  
Tampa, FL 33601-3350

Mr. Robert Cooper  
U. S. Gypsum Company  
125 South Franklin Avenue  
Chicago, FL 60606-4678


Terry Scheffel Wright, Esq.  
Landers & Parson, P. A.  
P. O. Box 271  
Tallahassee, FL 32302

Terry Callender  
Natural Gas Clearinghouse  
13430 Northwest Freeway, Suite 1200  
Houston, TX 77040

Stephen S. Mathues, Esq.  
O. Earl Black, Jr., Esq.  
Officer of General Counsel  
Department of Management Services  
4050 Esplanade Way, Suite 260  
Tallahassee, FL 32399-0950

CH2M Hill  
c/o Langer Energy Consulting  
Jack Langer  
4995 Ponce de Leon blvd.  
Coral Gables, FL 33146

Peter G. Esposito, Esq.  
Gregory K. Lawrence, Esq.  
John, Hengerer & Esposito  
1200 17th Street, N. W.  
Suite 600  
Washington, DC 20036

  
Michael A. Palecki  
Vice President of Regulatory Affairs  
955 East 25 Street  
Hialeah, FL 33013-3498  
(305)691-8710